# How Do I Plan It? From Idea to Launch Using Stage-Gate®

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## EXECUTIVE SUMMARY

PLAN. MAKE. LAUNCH.

## OVERVIEW

Developing successful new products is not about luck. Top performers consistently outperform competitors when developing new products by applying proven best practices, such as Stage-Gate. Stage-Gate is a product development methodology, used by companies to turn ideas into commercially successful products. Benefits of Stage-Gate include better in-market success, improved cross-functional and external collaboration, and greater visibility and agility.

## CONTEXT

Michelle Jones described how top performers achieve better product development results using the Stage-Gate model of product development.

**STAGE-GATE INTERNATIONAL**

Stage-Gate International studies successful innovation and shares best practices that companies in any industry can apply to improve their innovation. Founded 33 years ago, Stage-Gate focuses on innovation management and has one of the world's largest research database on this topic. Approximately 85% of top R&D spenders use Stage-Gate to guide their product development.

## KEY TAKEAWAYS

### The quest for top-line growth starts with critical strategic decisions.

Everything starts by deciding where to play and how to win.
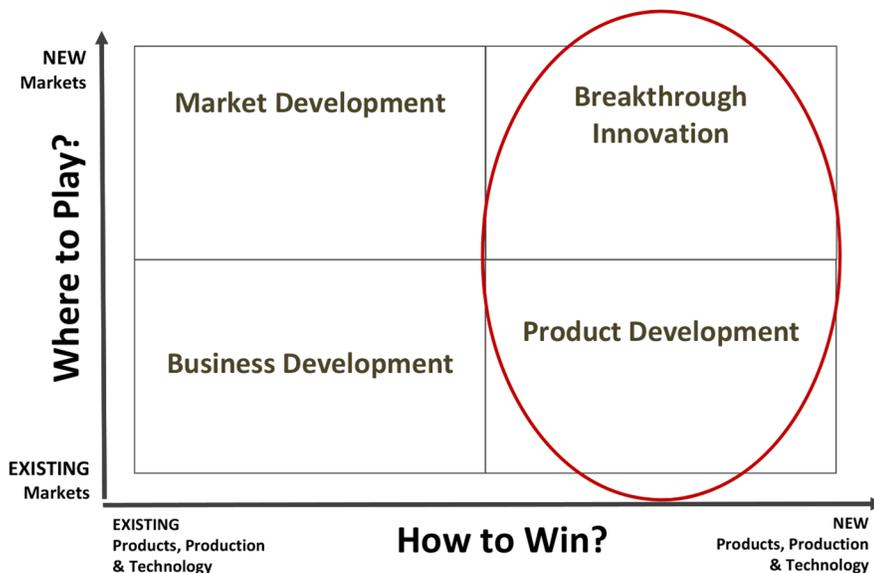


- Companies that play in existing markets by offering existing products focus on **business development**, while those selling existing products in new markets pursue **market development**.

- Companies that decide to win by developing new products for existing markets are undertaking **product development**, while companies developing new products for new markets are undertaking a strategy of **breakthrough innovation**.

In focusing on "new," companies must assess if a product is new to the company or to the market. Products that are new to the company but not the market are least risky but have the lowest upside. Products that are new to the company and the market are the riskiest. Companies must weigh the risks and rewards when deciding which innovations to pursue.

### Top performers outperform the competition in developing successful new products.

Stage-Gate has found that top performers consistently outperform other companies when developing new products. This isn't about luck; it is about applying best practices. Top performers:

- Are more likely to meet sales objectives and profit goals, and be on time and on budget.

- Are likely to use Stage-Gate (90%) and adopt it to fit their own personality (75%).

- Use clear go/no-go criteria. They have discipline in making decisions.

Among food manufacturers, top performers generate higher sales and profits from new products, and experience commercial success with new products 75% of the time. The key to consistent success is developing the capabilities and discipline to consistently develop and launch successful new products.

> **"** The question always comes back to, 'How can we improve our capability to develop successful new products?
> Michelle Jones

### Pursuing new products requires four key capabilities.

Stage-Gate has developed the Innovation Performance Framework® (shown below), which lays out four key organizational capabilities to become great at product development. These capabilities are:

- **Innovation Strategy.** Companies need a clear strategy and product development activities must align with the strategy.

- **Portfolio Management.** Organizations don't just pursue one project; they have a portfolio. The key to success is selecting the best projects to work on.

- **Stage-Gate.** This is using the Stage-Gate methodology to guide product development.

- **Culture & Leadership.** This is about managing and balancing risk in an organization.
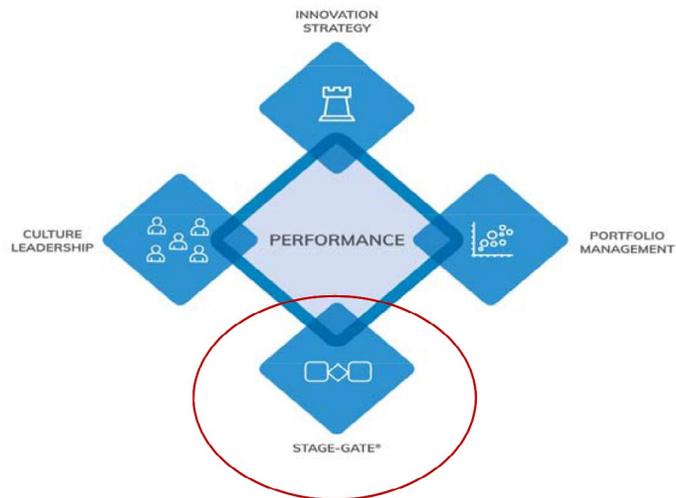
## The Stage-Gate methodology is grounded in six principles.

These six principles are:

1. **Optimize the entire innovation process.** Companies need to have a big-picture perspective by viewing innovation as an entire process. It begins with an idea and ends with commercial success. Viewing innovation as a process means managing innovation by breaking it into smaller, more manageable pieces—and constantly improving.

2. **Embrace risk by managing it.** By having a disciplined process it is possible to identify the risks of every project and manage the risks through process rigor.

3. **Accelerate the creative process.** Get the right people involved at the right time for the right reasons. Acceleration is about alignment and coordination, and focusing on activities that add value.

4. **Think in terms of options-based decisions.** By having stages, decisions to invest apply only to the next stage of the project, and not the entire project. Companies assess projects at critical points ("gates") and make decisions whether to invest or to curtail. Hence, decisions are options: the organization has a right to continue, but not an obligation.

### HORSE RACE VS. POKER GAME

Comparing a horse race to a poker game illustrates options-based investment decisions. In a horse race, a person does research, makes a decision, and places a bet. Once a person makes a bet, it is final. Even if a horse stumbles, the person can't change the bet.

In contrast, when playing poker, a person gets initial cards and can decide to bet or fold. With each subsequent card that is revealed a player gets additional information and can decide whether to bet or fold, and how much to bet. Poker is synonymous with a Stage-Gate approach in that there are multiple points to decide whether or not to proceed, how much to invest, and what level of risk to take.

> " Approaching decisions in this way [like a poker game] may be the single most important impact you can make in your company.
> Michelle Jones

5. **Create visibility into performance.** By organizing the product development process into stages, it is possible to keep track of everything. For example, once Starbucks adopted this methodology it found many projects stuck in the middle of the process. Visibility helped product development leaders break through their logjam.

6. **Establish a culture of accountability and discipline.** Organizations that successfully manage product development codify and adhere to their processes. They don't omit key steps or take shortcuts.

> " Once the company understands those six principles you can start to apply them and you will make a big difference and a big improvement.
> Michelle Jones

## A brief walkthrough of the Stage-Gate methodology shows how it works.

Stage-Gate starts with common definitions:

- **Stage:** A stage is where work gets done. It is the cross-functional execution of best practice activities. These activities combined with synthesis result in a deliverable.

- **Gate:** This is where business decisions are made, particularly related to whether to continue investing or not.

The stages of the Stage-Gate Model are:

- **Discovery Stage:** This is ideation, such as ideas from customers for new products. The first step is to write down all of the ideas.

- **Stage 1 – Scope:** This is a cross-functional process to develop a product definition by key questions about problems, needs, uses, benefits, and more. Whenever someone has a new idea they must answer the eight questions on the wheel below.
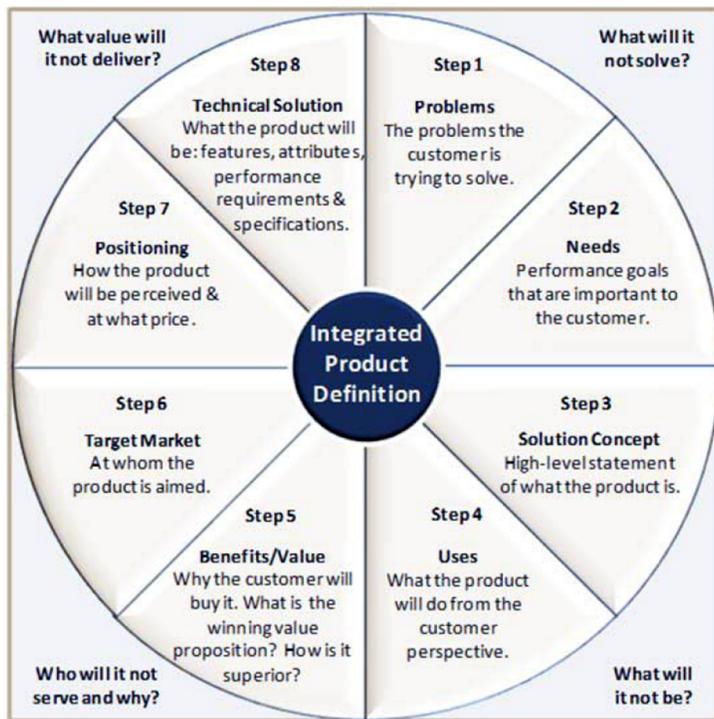


- **Stage 2 – Business Viability:** This stage deals with basic questions of, "Can we make money?" and "How much?" It doesn't involve detailed spreadsheets; just big picture assumptions. If the company can't make money, it should abandon the idea.

- **Stage 3 – Develop:** If the product can be defined (in Stage 1) and there is business viability (Stage 2), the next stage is rapidly developing product prototypes to confirm customer desirability and business viability. The stage involves rapid iteration of prototypes. (Design firm IDEO estimates an average of 16 iterations at this stage.)

- **Stage 4 – Scale up:** This is the beginning of commercialization by piloting the product in field trials with early-adopting customers.

- **Stage 5 – Launch:** This is the ultimate test of all assumptions, is the beginning of large-scale selling, and marks the next phase of continued iteration based on learnings from customers, channels, manufacturing, and more.

At each stage greater investment is required to proceed, requiring a decision about, "Do we persevere or pivot?"

A gate scorecard provides criteria to make a decision at each stage, which can involve a scoring process by all involved. The criteria are:
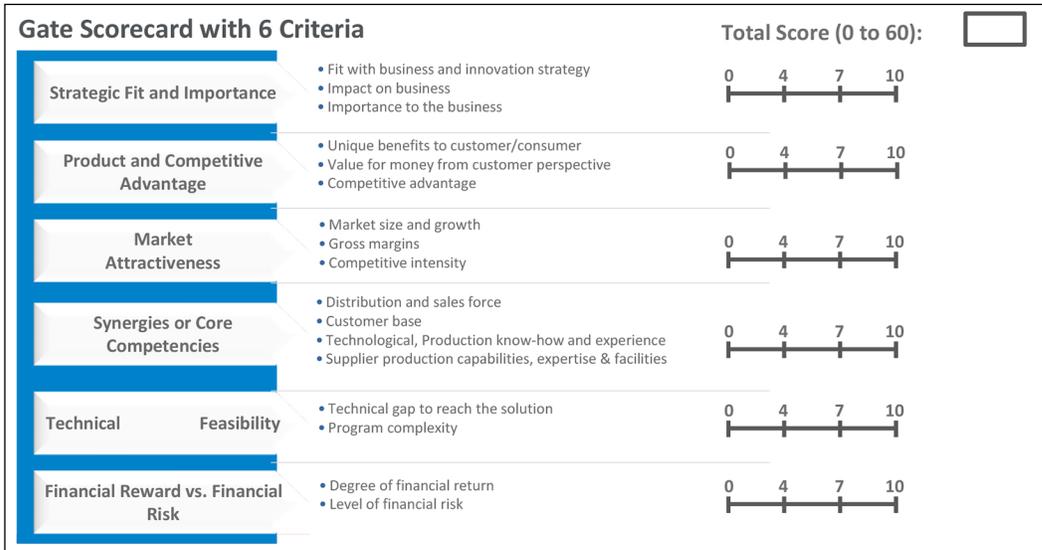


- **Strategic fit and importance:** Is the idea a strategic fit in helping the company grow?

- **Product and competitive advantage:** Can we achieve competitive advantage with a differentiated product?

- **Market attractiveness:** How attractive is the market?

- **Synergies and competencies:** Are there synergies with our current business? Does it leverage core competencies?

- **Technical feasibility:** Is it technically feasible?

- **Rewards and risks:** Is the financial reward worth the risk?

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**BENEFITS OF USING STAGE-GATE MODEL**

➤ Proven to deliver **better in-market success** (new product sales and profits)

➤ Proven to deliver **better internal project success** (project speed and budget)

➤ Improves internal **cross-functional team collaboration**

➤ Improves collaboration with **external development partners**

➤ Provides **visibility** to portfolio of NPD efforts enabling management agility

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